DAWN

OPINION

Larger discussion

THE 27th amendment is testing the very boundaries of parliamentary authority — perhaps even crossing them. It is no doubt parliament's right to amend the Constitution. But this authority is not absolute. The apex court has previously held that if an amendment strikes at the basic structure of the Constitution, the judiciary not only has the right but also a duty to intervene. The bill, passed by the National Assembly yesterday but due to return to the Senate for debate on proposed adjustments, seeks to create a new federal constitutional court to handle constitutional issues, while also altering the Supreme Court's composition and powers. If passed in its current form, it would remove functions of the chief justice and transfer much of the top court's constitutional jurisdiction to the FCC. In effect, the apex court, the ultimate interpreter of the Constitution, will be rendered toothless.

This is not an abstract concern. Justices Mansoor Ali Shah and Athar Minallah of the Supreme Court have written letters warning that the amendment weakens judicial independence and the coherence of our legal system. They are joined by retired judges and senior advocates who have appealed to CJP Yahya Afridi to convene a full court meeting before the passage of the amendment. The judiciary is a pillar of the constitutional order tasked with interpreting the law, not making it. But when the very existence of the Supreme Court, as defined by the Constitution, is in question, judges will hardly ignore the implications. As Justice Shah observed "the independence of the judiciary is not a privilege of judges; it is the people's protection against arbitrary power". That principle must not be diluted under the guise of reform.

The government has framed the proposal in keeping with 'international best practices' and says it aims to strengthen the federation. If that is the intention, transparency should not be feared. The amendment needs open debate, not just in parliament but also within the judiciary. Discussions by the full court, or even a larger forum, is the correct way forward, as the proposed change is too radical to be left to individual interpretations or executive assurances. Both the government and judiciary must refrain from turning this crisis into political theatre. What lies ahead has repercussions beyond a single office-holder or institution. It is a test of our democratic maturity. The creation of an entirely new apex court, without consensus or clear constitutional necessity, risks fracturing an already fragile institutional balance. In Pakistan, political and institutional confrontations are an unfortunate norm, which often escalates into crises that strain our democratic framework. Yet moments like the 27th amendment debate demand a different approach: both the executive and the judiciary must show maturity, prioritise transparency and encourage inclusive discussions.

Afghanistan arms

CONSIDERING the state's strong belief in the involvement of Afghanistan-based terrorists in the Islamabad and Wana attacks, the question of arms and military gear left in Afghanistan by foreign forces — and now in the hands of violent actors — requires closer scrutiny. The issue was raised recently by Pakistan's permanent representative to the UN in a Security Council debate. As the diplomat pointed out, weapons confiscated at the Pak-Afghan border are traced to arms stockpiles left behind by foreign forces. These illicit arms, he added, are being used by "non-state armed groups, terrorist networks, and criminal gangs", while calling for global action to stop the weapons ending up in the hands of groups like the banned TTP and BLA. As the Biden administration was keen to get out of Afghanistan, weapons worth billions of dollars were left behind. While some of the gear was rendered inoperable, significant equipment has either been 'lost' or sold on the black market. Reported buyers include the TTP and ETIM. Afghanistan has been a dumping ground for weapons since the time of the Afghan jihad. From the period of that engagement till the end of the American occupation in 2021, the US, the Arab states and this country, had been directing arms towards Afghanistan at different periods for different recipients.

From Pakistan's point of view, the cache of American arms and equipment left behind has been nothing short of disastrous. It was particularly irresponsible for the US to leave behind such deadly gear. Retrieving it may be next to impossible. However, the Afghan Taliban have a responsibility to prevent this equipment from being used by anti-Pakistan militants. This brings us back to the crux of the problem: the Taliban's denialism regarding the presence of terrorist groups on their soil, and their lack of interest in controlling these elements. If the Taliban refuse to rein in these malign actors, and if the wave of terrorism currently affecting Pakistan does not abate, chances of Pak-Afghan peace will be reduced significantly. Prime Minister Shehbaz Sharif has reiterated that Pakistan wants a "peaceful neighbourhood". But this peace will remain elusive if one state refuses to control cross-border terrorism impacting its neighbour, and if deadly modern weapons continue to be accessed by terrorist groups.

Credit surge

AFTER nearly three years of subdued credit offtake, the renewed borrowing spree by the private sector in the first four months of the current fiscal year marks a sharp turnaround. According to the latest State Bank data, private sector borrowings surged to a hefty Rs806.3 billion during this period, compared to only Rs66.5bn in the same months of FY25. The sharp increase in credit uptake underscores a clear shift from the previous trend of debt retirement to fresh borrowing. However, this spike in private credit should be greeted with cautious optimism rather than viewed as a sign of an economic turnaround, even if this surge appears to suggest revived business confidence. Undoubtedly, the decline in the policy rate from 22pc to 11pc has been the key driver of this shift besides recent improvements in other economic fundamentals: a stable exchange rate, falling inflation, narrowing current account deficit, etc.

That said, the fact remains that the recent spike in private borrowing appears driven more by relatively cheaper money than a resurgence in investment appetite. Much of the new lending is believed to be for businesses' working capital requirements rather than for financing productivity or capacity expansion — the kind of investment that drives sustained economic and export growth and job creation. The SBP's appeal for greater financial intermediation is timely, but the environment for private investment remains fraught. Policy inconsistency, a heavy regulatory burden, unaffordable and unreliable energy and a crushing tax burden deter businesses from committing to long-term projects. Private investment in productivity will remain elusive as long as structural impediments, which have long constrained the manufacturing industry — as evident in big industry slowdown — and diverted private capital into speculative segments like real estate and trade remain in place. The surge in credit demand is welcome but not yet a sign of revival of investment. Without structural reforms to rebuild investor confidence, cheaper credit will remain just that: cheaper, not transformative.

BY RIAZ RIAZUDDIN

Glimpse of our export quality

The fault lies in our economic policies, which have been destroying our export competitiveness.

HOW can we discern the quality of a good, without measuring it in an objective manner? As consumers, we go to a store, look for a product, find competing products, and make a quick subjective judgement about the quality, and buy the one our budget allows. While the price of a product always matters in our decision, the quality too figures if competing goods are available. Sometimes we do not buy a high-quality product because it is too expensive, and are content with low-quality but affordable substitutes. What if a better-quality product is available at the same price as that of a low-quality good? We simply ditch the low-quality product. Frequently, we compare the quality of a product to that of competing domestic and imported goods. In this way, we compare the quality of goods which foreign countries have exported to our domestic market.

Meanwhile, we need to be abroad and buy (or review) something made in our country to assess its quality. It is always thrilling to find something 'made in Pakistan' in big stores abroad. I was thrilled to find Himalayan salt, in Northfield, Minnesota, in a Target outlet, over 11,000 kilometres away from Pakistan's Khewra salt mines. Target is a big store chain in the US known for selling quality products at reasonable prices. The pink Himalayan salt was neatly packaged in a disposable but good quality small bottle with a built-in grinder for seasoning. The bottle clearly displayed "product of Pakistan" but qualified it immediately with "packaged in France".

Our Himalayan salt is recognised all over the world as the best kind. However, our salt-packaging abilities, ie, value addition, even after 78 years of independence, appear primitive. The small bottle contained only a few grams of pink salt granules, not worth a lot. But its packaging, with a little grinding attachment that smoothly crushed the salt to allow it to be sprinkled evenly over food is what mattered most with regard to the quality of this product. This small salt bottle, bought in a country far from the Khewra mines, contained our sad 78-year story of manufacturing and export: our manufacturing, despite making progress, had failed to add sufficient value and quality to our natural bounties, crops and (crudely) manufactured products. According to a report on the website of the Trade Development Authority of Pakistan, "The miners in Khewra still use the same old traditional way — drilling/ blasting followed by excavation by hand. Perhaps this is the reason that despite having the second largest salt mines of the world and having salt [reserves] of 10 billion tons (6.68bn tons alone hidden in the jagged rocks of Salt Range in Khewra), Pakistan is still listed as 17th in salt production in the world. It contributes hardly one per cent [to] the total global salt production".

I was able to find few other products from our country in Northfield and areas around the twin cities of Minneapolis-St Paul. In Dollar General (a store chain), I only found a pack of grey towels used for washing cars. There was hardly anything remarkable about this product, except that it had made its way to the Midwest, showing that Pakistan is still competitive in its export supply to the US in this category. I could not find bath towels made in Pakistan at stores like Macy's, JC Penny, Target, Home Goods or Marshalls, let alone high-end stores like Nordstrom, Saks Fifth Avenue, or Bloomingdales. All these had many varieties of garments from Bangladesh, India, Indonesia, Vietnam and other countries. There was one exception: I found jeans from our country at Macy's, which is known for selling quality products. The jeans from other countries, however, seemed better but were more expensive, ie, higher value addition.

While these examples can easily be dismissed on grounds of not being based on a scientific survey, they nevertheless contain some seeds of truth. I was a visitor to the US for a few months, but the Pakistani diaspora residing there for many years would have a better idea about our quality of exports. Here's what an analytical report (*Knowledge Brief*, March 2023) by the Pakistan Institute of Development Economics says: "Pakistan's low export values are due to low-quality products and lack of innovation in exported products which leads to the lack of value addition". While winter jackets may be too sophisticated for our garment manufacturers to produce and export, it is difficult to understand why simple shirts and trousers do not find their way to stores abroad. Surely, this is not due to the lack of access for our products abroad. The fault lies in our economic policies, which have been destroying our manufacturing and export competitiveness for the last few decades, as highlighted by the PIDE brief.

As opposed to our abundant pink Himalayan salt — hardly meant to be presented on a platter — rare earth minerals were recently offered (going by a widely circulated photograph) in a wooden tray, and looking like exotic gourmet bakery products, to American President Donald Trump, who fixed his gaze on this rarity while listening attentively to our field marshal. The first batch of these expensive minerals was also exported recently to the US as a precursor to a joint venture for exploration and the mining of rare earth elements. Is this a harbinger of good tidings on the export and economic front?

Or does the modest, though abundant, salt, which contains the story of our exports, point to a future with hardships it has already witnessed? The mining and export of critical elements carry potential for development. The path to development through extraction and export of minerals, however, is no less complex than other paths, and it is certainly not a royal road to prosperity. Our economic authorities, currently fixated on keeping the rupee overvalued, will have to tackle the additional intensity of the Dutch disease caused by export earnings from minerals in future. If not managed wisely, our manufactured exports may risk declining further in quality. If rare earth minerals and gold and diamonds were the quick way to economic prosperity, a few countries in Africa would have been dominating the world by now. ■

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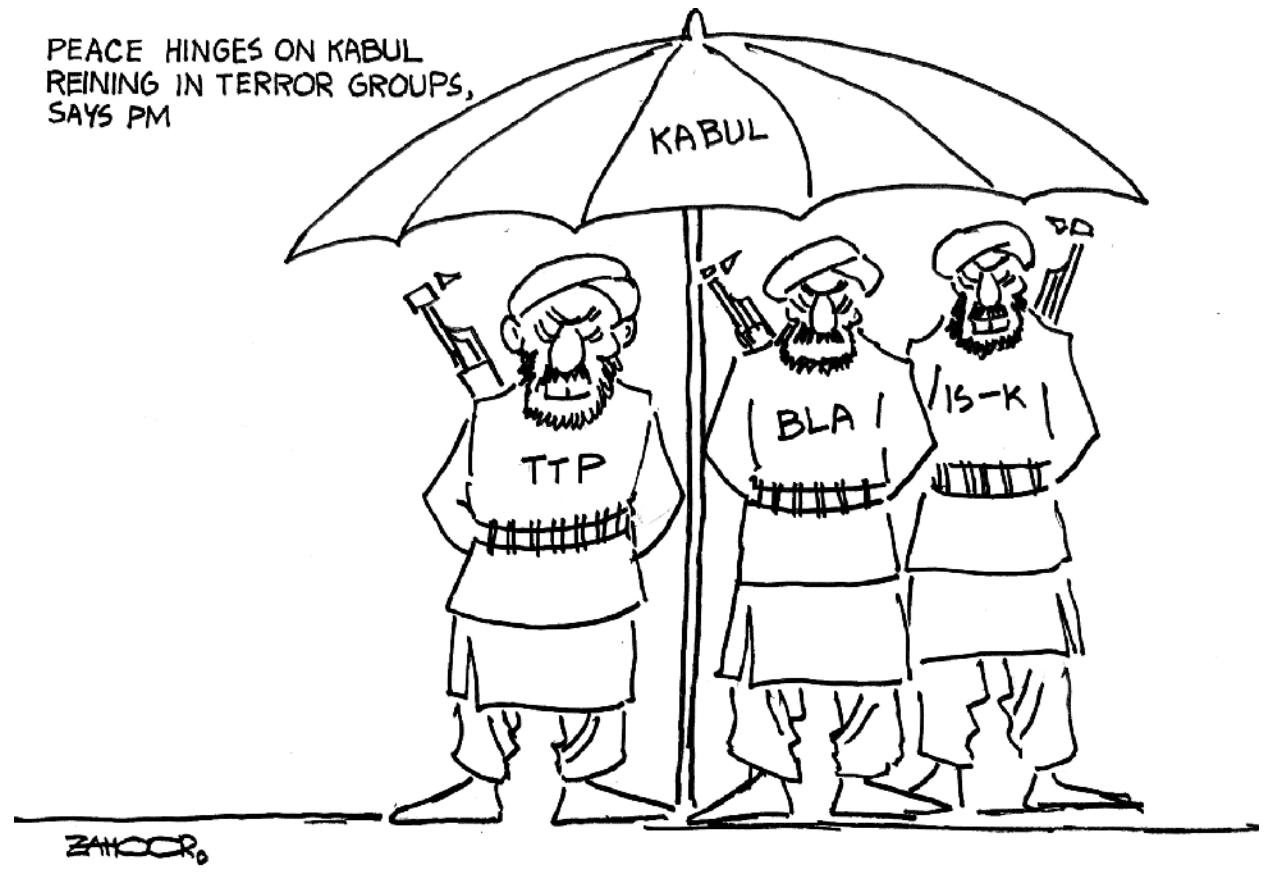

BY KHURRAM HUSAIN

Living with dysfunction

BY now, it should be abundantly clear that the authorities in Pakistan are not going to do anything to address the core dysfunctions that have dragged its economy down over the decades. They would prefer to learn to live with these dysfunctions. And one of the ways to do this is to increase the coercive powers of the state.

For decades, an agenda for change and reform has been advanced to help Pakistan's state and economy adapt to a changing world. The agenda involved broadening the base of taxation and of exports, unlocking the productivity potential of the economy, strengthening the regulatory environment, documenting the economy and its transactions, reducing the role of speculation and manipulation in the stock market, improving judicial outcomes and access to justice as well as the legal framework for business, and so on. It was the long, hard road of reform that was supposed to safeguard the next generation of livelihoods and secure the prosperity of the common citizenry in a changing world.

Some of this was done in fits and starts. For example, the private power policy was supposed to be a stop-gap arrangement to help bring in power generation capacity quickly in the middle of a power crisis in the early 1990s. It was meant to be followed up with a series of other reforms that would unbundle the vast power bureaucracy, and slowly bring in market forces to determine the price of electricity, as well as the returns that private investors in power generation would enjoy. The state was meant to withdraw from its overarching role as the sole arbiter of prices, returns, capacity, demand and everything else in the power sector.

But all that happened was the induction of private power producers, enjoying lavish returns secured by sovereign guarantee. And there it stopped. Net result was that the power sector was burdened with the costs of private power producers and the inefficiency of government. And we have not moved beyond since then, despite more than three decades having passed since the private power policy was introduced. The result is we are left with a power sector that is better at producing circular debt than it is at producing and distributing electricity.

The same failures have hit all other areas — from taxation to savings and investment. The result is, we are left with a state and an economy that is better at producing debt, both domestic and external, than it is at producing jobs or goods and services. We have research that tells us that, over the decades, Pakistan's economy has been losing productivity, meaning it is producing less and less incremental output per input of labour. Now the World Bank is telling us that for each incremental quantum of output the economy generates, it produces fewer jobs and lifts fewer people out of poverty over the longer term.

> The same labour and capital inputs today will generate lesser output, produce fewer jobs and lift fewer people out of poverty.

This means the economy has been sliding down what economists call diminishing returns, a situation where every successive input gives you less and less output in return. The same labour and capital inputs today will generate lesser output, produce fewer jobs and lift fewer people out of poverty than it would have a decade or two ago. And this trend is set to continue into the future barring any major course correction.

And that course correction is not going to come.

So where does that leave us? It brings us to a situation where the state is learning to live with its dysfunctions rather than working to resolve them. It is preparing to face the future and the challenges it will bring with all its might, but without adapting itself to the requirements of a changing world. By now, it is not even possible to build a case for why a country like Pakistan should undertake a disruptive course correction in the name of improving its ability to participate in a global market, because this very global market is being torn down, chopped up and walled off by the very people who built it: the advanced industrial democracies of the West.

What are these future challenges? First is the geopolitical drift in the region after the withdrawal of American forces from Afghanistan. Second is the need to secure livelihoods and provide jobs to a growing army of youth in Pakistan. Stop here for a moment and consider the impact.

The first challenge produces a massive requirement for resources to pay for the arms that will inevitably be required to meet the rising arc of terror from Afghanistan in the west and growing belligerence from India in the east. The second challenge also produces a massive requirement for resources, since the only way to produce jobs and livelihoods that we are left with following decades of growth without reform, is through fiscal and monetary inducements.

The first challenge will trump all else, because in Pakistan there is no debate between guns and butter. The guns always win. That means the future will be domestically turbulent, unless an external patron is willing to underwrite the massive creation of livelihoods for another generation of Pakistanis (which may well happen, but is not yet a given).

It is to face this future that the state is centralising itself, retreating into its fortress, marshalling all its powers under the same head, growing its claim on the resources that are otherwise shared and, importantly, ramping up immunity for its leadership from any consequences for their actions. In the mix of repression and consent through which all states procure their legitimacy, the role of repression is about to increase. For decades an effort was made to try and persuade successive governments in Pakistan of the necessity to reform. Now we can lay that effort to rest. The rulers have decided to live with the country's dysfunctions, that are primarily economic but also legal and political. They will navigate their future accordingly. ■

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